

# Cal-Dale

*Corp report*

AR52



1972

**ANNUAL REPORT**

**CALVERT-DALE ESTATES LIMITED**



CALVERT-DALE ESTATES LIMITED

ANNUAL REPORT

1972

## DIRECTORS' REPORT

to the Shareholders

Your directors are pleased to be able to report the best operating profit since incorporation of the company in October 1961. Operating income before income taxes and extraordinary items for the year ended July 1, 1972 of \$158,909 compares with a loss the year before of \$10,465.

Sales increased by 10% despite the fact that the previous fiscal period included 53 weeks while this year included 52 weeks. The increase is attributable to three major factors. Our Montreal operations returned to a profitable level after the crisis in the autumn of 1970. The florists supply division has benefitted from the exclusive distributorships of pottery and personalized packaging materials. Supply sales increased by more than 17% in the year. The date of Easter in 1972 gave us the best possible spacing between major floral holidays, and allowed production from our greenhouses to show a considerable increase. During the first quarter of the current fiscal year, sales have increased a further 6%.

The costs of production were reduced considerably, due in part to the fact that we required fewer new rose plants during the year. Cost savings in plant purchases and general operating costs were offset by the increase in the costs of fuel oil. Product handling costs and administrative expenses showed increases of less than 2%.

In the latter part of 1971 the company was faced with an immediate and serious working capital problem which was relieved by the issue in December 1971 of \$200,000 10% subordinated convertible debentures due in 1976. The profitability through the latter part of the year also improved our cash position.

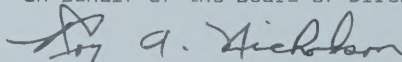
During the summer the company installed a computer which will eventually handle all the accounting records and speed up internal reporting. At the present time the sales and accounts receivable systems are operating effectively on the new equipment.

During the year some progress has been made with respect to our long-range plan for land uses. The town council of the Town of Brampton released 6.7 acres of property at the corner of Main and Vodden Streets for development, but has temporarily limited further development until completion of the new main sewer which is currently under construction. The greenhouses on this property are the oldest of the company's ranges and are substantially beyond repair. If the company should dispose of this property the loss of these greenhouses will reduce the productive capacity by a substantial amount. It will, however, together with the maturing mortgages receivable, materially improve our long term debt position.

In light of the foregoing, the company engaged Stewart, Young and Mason Limited to appraise certain of the company's properties. Their report, submitted September 30, 1972, places a market value of \$4,335,000 as at December 31, 1971, on properties carried in the July 1, 1972 balance sheet at a net book value of \$1,499,028.

Without the loyalty and co-operation of our employees, customers and suppliers the present operating results would not have been attainable. On your behalf, I extend our sincere appreciation.

On behalf of the Board of Directors



ROY A. NICHOLSON, President.

November 1, 1972

*Clarkson, Gordon & Co.*

*Chartered Accountants*

Royal Trust Tower  
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Halifax Saint John Quebec Montreal Ottawa  
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AUDITORS' REPORT

To the Shareholders of  
Calvert-Dale Estates Limited:

We have examined the consolidated balance sheet of Calvert-Dale Estates Limited and its subsidiaries as at July 1, 1972 and the consolidated statements of income, deficit and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 1, 1972 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Clarkson, Gordon & Co.*

Toronto, Canada,  
October 13, 1972.

Chartered Accountants





**Calvert-Dale Estates Limited**  
(Incorporated under the laws of Ontario)  
**and subsidiary companies**

Consolidated Balance Sheet  
July 1, 1972

A S S E T S

	<u>1972</u>	<u>1971</u>
CURRENT:		
Cash . . . . .	\$ 2,560	\$ 2,560
Accounts receivable . . . . .	879,505	783,582
Inventories of resale merchandise and production supplies valued at the lower of cost or net realizable value . . . . .	796,200	679,661
Mortgages receivable (note 2) . . . . .	411,433	6,000
Prepaid expenses . . . . .	<u>30,085</u>	<u>19,240</u>
	<u>2,119,783</u>	<u>1,491,043</u>
MORTGAGES RECEIVABLE (note 2) . . . . .		<u>408,433</u>
FIXED (note 3):		
Land, buildings and equipment at cost less accumulated depreciation . . . . .	<u>1,656,089</u>	<u>1,700,775</u>
OTHER:		
Sundry deposits . . . . .	34,249	32,059
Growing crops, patents and trade-marks . . . . .	<u>1</u>	<u>1</u>
	<u>34,250</u>	<u>32,060</u>
	<u>\$ 3,810,122</u>	<u>\$ 3,632,311</u>

On behalf of the Board:

R. A. NICHOLSON  
Director

W. R. PIERSON, JR.  
Director

## LIABILITIES

	<u>1972</u>	<u>1971</u>
CURRENT:		
Bank indebtedness (note 4) . . . . .	\$ 1,054,722	\$ 1,096,226
Accounts payable and accrued charges . . . .	562,689	595,263
Sales and other taxes payable . . . . .	39,866	44,251
Long term debt payments due within one year (note 5)	<u>459,681</u>	<u>135,000</u>
	<u>2,116,958</u>	<u>1,870,740</u>
LONG TERM DEBT (note 5) . . . . .	<u>987,138</u>	<u>1,342,686</u>

## S H A R E H O L D E R S '      E Q U I T Y

### SHARE CAPITAL (note 6):

Authorized - 2,000,000 shares without par value		
Issued - 956,531 shares (1971 - 943,018).	1,504,751	1,489,751
CONTRIBUTED SURPLUS . . . . .	<u>7,500</u>	<u>7,500</u>
	1,512,251	1,497,251
DEFICIT . . . . .	<u>806,225</u>	<u>1,078,366</u>
	<u>706,026</u>	<u>418,885</u>
	\$ <u><u>3,810,122</u></u>	\$ <u><u>3,632,311</u></u>

(see accompanying notes)

# Cal-Dale Calvert-Dale Estates Limited

## Consolidated Statement of Income

FOR THE YEAR ENDED JULY 1, 1972

	1972 (52 weeks)	1971 (53 weeks)
Sales . . . . .	\$ <u>7,145,931</u>	\$ <u>6,483,149</u>
Income before the following items . . . . .	\$ 425,095	\$ 287,125
Interest earned . . . . .	<u>49,018</u>	<u>45,685</u>
	<u>474,113</u>	<u>332,810</u>
Depreciation (including profit in 1972 of \$2,830 and loss in 1971 of \$11,152 on disposal of fixed assets) . . . . .	115,885	132,670
Interest on long term debt . . . . .	115,552	113,822
Other interest . . . . .	<u>83,767</u>	<u>96,783</u>
	<u>315,204</u>	<u>343,275</u>
Operating income (loss) before income taxes and extraordinary items . . . . .	158,909	(10,465)
Income taxes (note 8) . . . . .	<u>74,800</u>	<u>          </u>
Income (loss) before extraordinary items . . . . .	<u>84,109</u>	<u>(10,465)</u>
Extraordinary items:		
Profit on sale of real estate . . . . .	113,232	
Recovery of income taxes (note 8) . . . . .	<u>74,800</u>	<u>          </u>
	<u>188,032</u>	<u>          </u>
Income (loss) for the year (note 9) . . . . .	\$ <u><u>272,141</u></u>	\$ <u><u>(10,465)</u></u>

## Consolidated Statement of Deficit

FOR THE YEAR ENDED JULY 1, 1972

	1972	1971
Deficit, beginning of year . . . . .	\$ 1,078,366	\$ 1,067,901
Income (loss) for the year . . . . .	<u>272,141</u>	<u>(10,465)</u>
Deficit, end of year . . . . .	\$ <u><u>806,225</u></u>	\$ <u><u>1,078,366</u></u>

(see accompanying notes)



# Cal-Dale Calvert-Dale Estates Limited

## Consolidated Statement of Source and Application of Cash

FOR THE YEAR ENDED JULY 1, 1972

1972 1971  
(52 weeks) (53 weeks)

### SOURCE OF CASH:

#### Operations -

Operating income (loss) before income taxes and extraordinary items . . . . .	\$ 158,909	\$ (10,465)
Depreciation and other charges not requiring an outlay of cash . . . . .	<u>151,200</u>	<u>133,881</u>
	310,109	123,416

Issue of 10% subordinated convertible debentures	200,000	
Proceeds on sale of real estate . . . . .	130,845	
Reduction in mortgages receivable . . . . .	3,000	23,000
Receipt of expropriation claim . . . . .	<u>        </u>	<u>29,100</u>
	<u>643,954</u>	<u>175,516</u>

### APPLICATION OF CASH:

Payments of long term debt . . . . .	235,867	91,456
Increase (decrease) in accounts receivable . .	128,913	(9,428)
Increase in inventories . . . . .	116,539	44,250
Purchases of fixed assets (net) . . . . .	68,812	106,516
Decrease (increase) in trade accounts and taxes payable	36,959	(28,854)
Increase (decrease) in prepaid expenses and other assets	<u>15,360</u>	<u>(3,861)</u>
	<u>602,450</u>	<u>200,079</u>
Increase (decrease) in bank indebtedness . . . . .	(41,504)	24,563
Bank indebtedness, beginning of year . . . . .	<u>1,096,226</u>	<u>1,071,663</u>
Bank indebtedness, end of year . . . . .	\$ <u><u>1,054,722</u></u>	\$ <u><u>1,096,226</u></u>

(see accompanying notes)

# Cal-Dale Calvert-Dale Estates Limited

## Notes to Consolidated Financial Statements

July 1, 1972

### 1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the company's subsidiaries which are inactive.

### 2. MORTGAGES RECEIVABLE

	<u>1972</u>	<u>1971</u>
5¼% due February 1, 1973	\$ 268,358	\$ 268,358
7½% due June 25, 1973	18,500	19,500
7½% due June 25, 1973	<u>124,575</u>	<u>126,575</u>
	411,433	414,433
Less amounts receivable within one year, included with current assets	<u>411,433</u>	<u>6,000</u>
	=====	\$ 408,433 =====

The mortgages receivable have been assigned as collateral security for the 7¼% and 7½% mortgages payable.

### 3. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	
			<u>1972</u>	<u>1971</u>
Land (including related costs of \$69,470 in 1972, and \$52,046 in 1971 (note 10(b)))	\$ 737,799	\$	\$ 737,799	\$ 718,192
Buildings and leasehold improvements	1,362,018	571,637	790,381	846,412
Machinery and equipment	301,166	231,150	70,016	75,402
Motor vehicles	151,410	109,662	41,748	43,951
Roadways	<u>21,924</u>	<u>5,779</u>	<u>16,145</u>	<u>16,818</u>
	<u>\$2,574,317</u>	<u>\$ 918,228</u>	<u>\$1,656,089</u>	<u>\$1,700,775</u>

#### 4. BANK INDEBTEDNESS

The bank indebtedness of \$1,054,722 and the long term bank loan of \$250,000 referred to in note 5 below are secured by a general assignment of book debts, crops pledged under Section 88 of the Bank Act, a floating charge debenture and a subordinated collateral mortgage on the company's real estate. In addition the bank holds a mortgage bond for \$250,000 that has been hypothecated with it as collateral security for the long term bank loan. Under certain circumstances the bank has the right to require repayment of this loan in advance of the indicated due date. The principal repayment of \$25,000 due September 3, 1972 has been waived.

#### 5. LONG TERM DEBT

	Original borrowing	<u>Outstanding</u>	
		<u>1972</u>	<u>1971</u>
Mortgages:			
7¼% due January 1, 1980 payable \$8,500 quarterly (i)	\$ 500,000	\$ 219,739	\$ 280,986
7½% due January 1, 1980 payable \$6,500 quarterly (i)	400,000	189,102	237,500
6% due January 1, 1975 payable \$50,000 annually	500,000	125,192	200,000
10% due December 15, 1976 payable \$212 monthly, principal and interest included	20,000	19,699	
Convertible debentures:			
7¼% sinking fund debentures due December 15, 1976, annual sinking fund instalment of \$20,000 (ii)	350,000	134,087	180,200
7% subordinated debentures due October 1, 1974 (note 7)	150,000	4,000	19,000
10% subordinated sinking fund debentures due October 1, 1979, annual sinking fund instalment of \$37,500 commencing October 1, 1974, (iii)	300,000	300,000	300,000
10% subordinated debentures due December 1, 1976 (iv) (note 7)	200,000	200,000	
Notes payable (unsecured):			
6% due June 30, 1973	50,000	5,000	10,000
Bank loan:			
Payable September 3, 1973 (note 4)	300,000	250,000	250,000
		<u>1,446,819</u>	<u>1,477,686</u>
Less amounts due within one year, included with current liabilities		<u>459,681</u>	<u>135,000</u>
	\$	<u>987,138</u>	\$ <u>1,342,686</u>

- (i) The proceeds from mortgages receivable are to be applied in payment of the 7¼% and 7½% mortgages payable. Since the mortgages receivable are due within one year, the long term debt payments due within one year as shown on the balance sheet include the balances outstanding on these mortgages payable.
- (ii) The 7½% sinking fund debentures, which are secured by charges against the company's real property, may be called for redemption at a premium of 2% until December 15, 1972 and thereafter at premiums declining annually by 1/2 of 1% until December 15, 1975 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$5.34 per share until December 14, 1976.
- (iii) The 10% subordinated sinking fund debentures due October 1, 1979 may be called for redemption at a premium of 7% until September 30, 1973 and thereafter at premiums declining annually by 1% until September 29, 1979 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.90 per share until September 30, 1979.
- (iv) The 10% subordinated debentures due December 1, 1976 were issued for cash during the year and may be called for redemption at a premium of 5% until November 30, 1972 and thereafter at premiums declining annually by 1% until November 29, 1976 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.70 per share until November 30, 1976.

The conversion rates of the debentures described above are subject to change should additional shares of the company be issued.

## 6. SHARE CAPITAL

During the year, \$15,000 of the 7% subordinated debentures were converted into 13,513 shares of the company at \$1.11 per share in accordance with the terms of the trust deed.

After giving effect to the conversions of debentures subsequent to the year end referred to in note 7 below, 604,157 of the company's authorized but unissued shares are reserved for the possible conversion of the remaining debentures.

## 7. SUBSEQUENT EVENTS

Subsequent to the year end, the remaining \$4,000 of the 7% subordinated debentures were converted into 3,603 shares of the company at \$1.11 per share and \$28,000 of the 10% subordinated debentures due December 1, 1976 were converted into 40,000 shares at \$0.70 per share.



8. INCOME TAXES

The company follows the tax allocation method of accounting for income taxes. There is no current liability for income taxes for the year ended July 1, 1972 as taxes of \$74,800 otherwise payable on 1972 operating income are offset by tax credits arising from the carry forward of prior years' tax losses and depreciation charges not previously claimed for tax purposes. At July 1, 1972 the amount of prior years' depreciation charges recorded in the accounts but not claimed for income tax purposes was approximately \$880,000.

9. EARNINGS PER SHARE

	1972		1971
	Income before extraordinary items	Income for year	Loss for year
Earnings per share	\$0.09	\$0.28	\$(0.01)
Fully diluted earnings per share	0.07	0.20	(0.01)

The fully diluted earnings per share shows the effect on earnings per share had all the debentures (other than the 7% sinking fund debentures which are not dilutive) been converted into common shares at the beginning of the year.

10. CONTRACTUAL COMMITMENTS

- (a) Under contractual obligations with respect to leased premises the company is committed to aggregate annual rentals of approximately \$100,000 to 1975 and \$80,000 thereafter to 1986.
- (b) In September 1969 the company entered into an agreement with S. Eric Johnson Limited to prepare a report in connection with the company's lands, including proposals and recommendations for future land uses. Future payments required for these services with respect to the current phase are estimated to be \$35,000. Payments of \$17,424 in 1972 and \$52,046 in prior years have been deferred and included with the carrying value of land in the accompanying financial statements.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined under The Business Corporations Act, 1970) amounted to \$101,591 in the year, including \$1,125 paid as directors' fees.



# *Cal-Dale      The Florist's World*

DIRECTORS:      W. R. COOPER      R. A. NICHOLSON \*

                 W. J. CORRIGAN, Jr.      W. R. PIERSON, Jr. \*

                 M. GAASENBEEK \*      J. C. STRADWICK, Sr.

                 G. W. E. GORDON      J. C. STRADWICK, Jr.

                 P. LATCHMAN \*      A. H. ZALDIN, Q. C. \*

\* Members of Executive Committee

OFFICERS:      R. A. NICHOLSON, President

                 W. R. PIERSON, Jr., Vice-President and General Manager

                 G. D. STEPHENS, C. A., Treasurer and Assistant  
   General Manager

                 A. H. ZALDIN, Q. C., Secretary

AUDITORS:      CLARKSON, GORDON & CO.

BANKER:      THE TORONTO-DOMINION BANK

REGISTRAR and TRANSFER AGENT:  
                 CANADA PERMANENT TRUST COMPANY, TORONTO

LISTED:      TORONTO STOCK EXCHANGE

LOCATIONS:      Head Office and Greenhouses - BRAMPTON, Ontario

                 Wholesale Branches - Montreal

   Ottawa

   Toronto



